

**Town of Blanchard
Blanchard, Louisiana
Financial Statement with Auditors' Report
As of and For the Year Ended June 30, 2013**

Town of Blanchard
Blanchard, Louisiana

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Blanchard, Louisiana
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Independent Auditors' Report

Town of Blanchard
Blanchard, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Blanchard, Louisiana, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

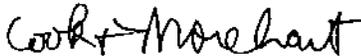
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blanchard's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on page 39 - 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the Town of Blanchard, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Blanchard's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
January 13, 2014

TOWN OF BLANCHARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Blanchard's financial performance provides an overview of the Town of Blanchard's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Blanchard's net position of our governmental activities decreased by \$22,811 or 7%. The Town of Blanchard's net position of our business-type activities increased by \$963,358 or 24%.
- In the Town's governmental activities, total general and program revenues were \$851,224 in 2013 compared to \$810,895 in 2012. Total expenses, excluding depreciation, totaled \$834,621 for the year ended June 30, 2013 compared to \$785,781 for 2012.
- In the Town's business-type activities, revenues increased by \$992,034, while expenses increased by \$135,640.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Blanchard as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Blanchard's operations in more detail than the government-wide statements by providing information about the Town of Blanchard's most significant funds.

Reporting the Town of Blanchard, Louisiana as a Whole

Our analysis of the Town of Blanchard as a whole begins on page 11. One of the most important questions asked about the Town of Blanchard's finances is "Is the Town of Blanchard as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Town of Blanchard as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Blanchard's *net position* and changes in it. You can think of the Town of Blanchard's net position – as the difference between assets and liabilities – as one way to measure the Town of Blanchard's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Blanchard's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Blanchard begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Blanchard – not the Town of Blanchard as a whole. The Town of Blanchard's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Blanchard's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Blanchard's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Blanchard's expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF BLANCHARD AS A WHOLE

The Town of Blanchard's combined net position changed from a year ago, increasing from \$4,389,836 to \$5,330,383. A comparative analysis of the funds maintained by the Town of Blanchard is presented below.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	134,495	116,139	2,858,096	2,758,330	2,992,591	2,874,469
Capital assets	255,312	266,296	15,543,549	9,409,200	15,798,861	9,675,496
Total assets	<u>389,807</u>	<u>382,435</u>	<u>18,401,645</u>	<u>12,167,530</u>	<u>18,791,452</u>	<u>12,549,965</u>
Current liabilities	64,363	36,481	1,700,523	1,381,442	1,764,886	1,417,923
Long-term liabilities	9,520	7,219	11,686,663	6,734,987	11,696,183	6,742,206
Total liabilities	<u>73,883</u>	<u>43,700</u>	<u>13,387,186</u>	<u>8,116,429</u>	<u>13,461,069</u>	<u>8,160,129</u>
Net assets:						
Net investment						
in capital assets	255,312	266,296	3,856,887	2,924,202	4,112,199	3,190,498
Restricted			1,312,433	1,235,251	1,312,433	1,235,251
Unrestricted	60,612	72,439	(154,861)	(108,352)	(94,249)	(35,913)
Total net assets	<u>315,924</u>	<u>338,735</u>	<u>5,014,459</u>	<u>4,051,101</u>	<u>5,330,383</u>	<u>4,389,836</u>

Net position of the Town of Blanchard's governmental activities decreased by \$22,811 or 7%. Net position of the Town of Blanchard's business-type activities increased by \$963,358 or 24%.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	266,675	244,120	2,876,500	2,974,832	3,143,175	3,218,952
Capital grants and contributions	21,500		1,241,000	152,120	1,262,500	152,120
General revenues:						
Taxes	108,605	106,463	51,063	49,572	159,668	156,035
Sales taxes	180,756	165,327			180,756	165,327
Licenses and permits	87,491	92,437			87,491	92,437
Franchise taxes	128,735	137,210			128,735	137,210
Investment earnings	1,594	106	1,500	1,505	3,094	1,611
Miscellaneous	55,868	65,232			55,868	65,232
Total Revenues	851,224	810,895	4,170,063	3,178,029	5,021,287	3,988,924
Expenses:						
General government	175,617	142,765			175,617	142,765
Public safety	460,292	441,730			460,292	441,730
Public works	228,538	233,606			228,538	233,606
Culture and Recreation	9,588	13,892			9,588	13,892
Water and Sewer Utility			3,206,705	3,071,065	3,206,705	3,071,065
Total expenses	874,035	831,993	3,206,705	3,071,065	4,080,740	3,903,058
Increases (decreases) in net position	(22,811)	(22,045)	963,358	106,964	940,547	85,866

The Town's total revenues increased by 26% or \$1,032,363. The Town's total expenditures increased by 5% of \$177,682. Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$40,329, from total revenues in the year ended June 30, 2012 of \$810,895 to total revenues of \$851,224, in the year ended June 30, 2013.

The cost of all governmental activities this year was \$874,035. These costs were covered by \$288,175 of program revenues, with the remaining costs covered by grants, property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$992,034, from total revenues in the year ended June 30, 2012 of \$3,178,029 to total revenues of \$4,170,063, in the year ended June 30, 2013.

The cost of all business-type activities this year was \$3,206,705. All of these costs were covered by program revenues, consisting of charges for services assessed to users and capital grants.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of 70,132, which is less than last year's fund balance of \$79,658.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2013. There were two amendments to the budget during the year. The Town's budgetary comparison is presented as required *supplementary information and shown on page 38. Highlights for the year are as follows:*

- Excess of actual expenditures over revenue for the year ended June 30, 2013 is \$9,526.
- Final actual revenues were more than budgeted revenues in the amount of \$38,852.
- Actual expenditures were less than final budget expenditures in the amount of \$8,677.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013 and 2012, the Town of Blanchard had invested \$15,798,861 and \$9,675,496, respectively in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Construction in Progress			6,866,589	102,617	6,866,589	102,617
Land	2,000	2,000	145,049	145,049	147,049	147,049
Buildings	143,525	153,101			143,525	153,101
Improvements	9,450	13,100			9,450	13,100
Vehicles and equipment	100,337	98,095			100,337	98,095
Administration			267,469	296,172	267,469	296,172
Water equipment			7,202,991	7,706,700	7,202,991	7,706,700
Sewer equipment			1,061,451	1,158,662	1,061,451	1,158,662
Total assets (net)	<u>255,312</u>	<u>266,296</u>	<u>15,543,549</u>	<u>9,409,200</u>	<u>15,798,861</u>	<u>9,675,496</u>

This year's major additions included:

Construction in Progress		6,763,972
Vehicles and equipment	<u>28,432</u>	<u>6,763,972</u>

More detailed information about the capital assets are presented in Note 7 to the financial statements.

Debt

At year-end, the Town had \$11,686,662 in bonds and notes outstanding, versus \$6,734,987 last year – a increase of 74% due to issuing of Water Revenue Bonds Series 2012.

**Table 4
Outstanding Debt At Year End**

	Business-type Activities	
	2013	2012
Water Revenue Bonds	11,209,955	6,243,280
URAF Agreement	476,707	491,707
Totals	<u>11,686,662</u>	<u>6,734,987</u>

More detailed information about the debt are presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Blanchard's management considered many factors when setting a fiscal year June 30, 2014 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same. Expenditures for 2014 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Blanchard and to show the Town of Blanchard's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 428, Blanchard, LA 71009.

Town of Blanchard
Blanchard, Louisiana
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 68,293	\$ 634,030	\$ 702,323
Receivables (net of allowance for uncollectibles)	49,934	291,452	341,386
Internal balances	16,268	(16,268)	
Restricted assets:			
Cash and cash equivalents		1,569,055	1,569,055
Investments		139,323	139,323
Capital assets, net	255,312	15,543,549	15,798,861
Unamortized bond issuance costs		240,504	240,504
Total assets	389,807	18,401,645	18,791,452
Liabilities			
Accounts payable and accrued expenses	64,363	1,307,429	1,371,792
Revenue bond anticipation notes payable		66,941	66,941
Payable from restricted assets:			
Customer deposits		393,095	393,095
Non-current liabilities:			
Due within one year	9,520	674,150	683,670
Due in more than one year		10,945,571	10,945,571
Total liabilities	73,883	13,387,186	13,461,069
Net Position			
Net investment in capital assets	255,312	3,856,887	4,112,199
Restricted for debt service		1,312,433	1,312,433
Unrestricted	60,612	(154,861)	(94,249)
Total net position	\$ 315,924	\$ 5,014,459	\$ 5,330,383

The accompanying notes are an integral part of this statement.

Town of Blanchard
 Blanchard, Louisiana
 Balance Sheet
 Governmental Fund
 June 30, 2013

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 68,293
Receivables	49,934
Due from other funds	<u>16,268</u>
Total assets	<u><u>\$ 134,495</u></u>
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 64,363</u>
Total liabilities	<u>64,363</u>
 Fund balances:	
Unassigned	<u>70,132</u>
Total fund balances	<u>70,132</u>
Total liabilities and fund balances	<u><u>\$ 134,495</u></u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2013

Fund balances - total governmental fund	\$ 70,132
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	255,312
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,520)</u>
Net position of governmental activities	<u>\$ 315,924</u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2013

	General Fund
Revenues:	
Ad valorem taxes	\$ 108,605
Sales taxes	180,756
<i>Licenses and permits</i>	87,491
Charges for services	192,682
Fines and forfeitures	73,993
Franchise taxes	128,735
Intergovernmental	21,500
Investment earnings	1,594
Miscellaneous	55,868
Total revenues	851,224
Expenditures:	
Current:	
General government	169,689
Public safety	431,893
Public works	227,880
Culture and recreation	2,856
Capital Outlay	28,432
Total expenditures	860,750
Excess (deficiency) of revenues over expenditures	(9,526)
Fund balances at beginning of year	79,658
Fund balances at end of year	\$ 70,132

The accompanying notes are an integral part of this statement.

Town of Blanchard
 Blanchard, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2013

Net change in fund balances - total governmental fund	\$	(9,526)
Amounts reported for governmental activities in the statement of activities are different because:		
<i>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$39,414) exceeded capital outlays (\$28,432) in the current period.</i>		(10,982)
<i>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</i>		<u>(2,303)</u>
Change in net position of governmental activities	\$	<u>(22,811)</u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>Business-Type Activities- Enterprise Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 634,030
Restricted cash and cash equivalents	395,945
Receivables (net of allowance for uncollectibles)	291,452
Total current assets	<u>1,321,427</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,173,110
Restricted investments	139,323
Capital assets:	
Land	145,049
Plant and equipment	24,092,823
Less: accumulated depreciation	(8,694,323)
Unamortized bond issuance costs	240,504
Total noncurrent assets	<u>17,096,486</u>
Total assets	<u>\$ 18,417,913</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,307,429
Due to other funds	16,268
Water revenue bonds	667,000
Revenue bonds anticipation notes payable	66,941
Current portion of other long term debt	7,150
Payable from restricted assets:	
Customer deposits	393,095
Total current liabilities	<u>2,457,883</u>
Noncurrent liabilities:	
Water revenue bonds	10,476,014
Other long-term debt	469,557
Total noncurrent liabilities	<u>10,945,571</u>
Total liabilities	<u>13,403,454</u>
Net position	
Net investment in capital assets	3,856,887
Restricted for debt service	1,312,433
Unrestricted	(154,861)
Total net position	<u>5,014,459</u>
Total liabilities and net position	<u>\$ 18,417,913</u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	<u>Business-Type Activities- Enterprise Fund</u>
Operating revenues:	
Water sales	\$ 2,547,150
Sewerage service charges	267,364
Miscellaneous revenues	<u>61,986</u>
Total operating revenues	<u>2,876,500</u>
Operating expenses:	
Water department expenses	2,150,906
Sewer department expenses	149,030
Depreciation expense	<u>628,881</u>
Total operating expenses	<u>2,928,817</u>
Operating income (loss)	<u>(52,317)</u>
Non-operating revenues (expenses):	
Ad valorem taxes	51,063
Interest income	1,500
Interest expense	<u>(277,888)</u>
Total non-operating revenues (expenses)	<u>(225,325)</u>
Capital contributions:	
Contributed capital	<u>1,241,000</u>
Change in net position	963,358
Net position - beginning of year	<u>4,051,101</u>
Net position - end of year	<u>\$ 5,014,459</u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	<u>Business-Type Activities- Enterprise Fund</u>
<i>Cash Flows From Operating Activities</i>	
Receipts from customers	\$ 2,985,825
Cash payments to suppliers for goods and services	(1,878,441)
Cash payments to employees for services	(1,046,566)
Other receipts (payments)	44,400
Net Cash from Operating Activities	<u>105,218</u>
 <i>Cash Flows From Non-Capital Financing Activities</i>	
Ad valorem taxes	51,063
Net Cash from Non-capital Financing Activities	<u>51,063</u>
 <i>Cash Flows From Capital and Related Financing Activities</i>	
Acquisition/construction of capital assets	(5,846,715)
Proceeds from debt	5,336,679
Principal paid on capital debt	(390,000)
Interest paid on capital debt	(205,075)
Payment made on other long-term debt	(15,000)
Capital grants	1,241,000
Bond issuance costs paid	(34,275)
Net Cash from Capital and Related Financing Activities	<u>86,614</u>
 <i>Cash Flow From Investing Activities</i>	
Sale of investments	(14)
Interest income	1,500
Net Cash from Investing Activities	<u>1,486</u>
 Net decrease in cash and cash equivalents	 244,381
 Cash, Beginning of year	 <u>1,958,704</u>
 Cash, End of year	 <u>\$ 2,203,085</u>
 <i>Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities</i>	
Operating income (loss)	\$ (52,317)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	628,881
Accounts receivable	109,325
Accounts payable and accrued expenses	(625,071)
Due to and from other funds	16,268
Customer deposits	26,895
Loss on disposal of capital assets	1,237
Net Cash Flows From Operating Activities	<u>\$ 105,218</u>
 <i>Noncash Capital Financing Activities:</i>	
Acquisition of property	
Acquisition/construction of capital assets	\$ 6,866,589
Less long-term liabilities assumed	(1,019,874)
Cash used to acquire/construct capital assets	<u>\$ 5,846,715</u>

The accompanying notes are an integral part of this statement.

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013

INTRODUCTION

The Town of Blanchard was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor–Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Blanchard's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Blanchard are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Blanchard is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Blanchard), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Blanchard are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14, as amended by GASB Statement No. 39, established criteria for determining which component units should be considered part of the Town of Blanchard for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

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Town of Blanchard
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2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. There were no entities that were determined to be component units of the Town of Blanchard.

B. Basic Financial Statements – Government-Wide Statements

The Town of Blanchard's basic financial statements include both government-wide (reporting the funds maintained by the Town of Blanchard as a whole) and fund financial statements (reporting the Town of Blanchard's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's general fund is classified as governmental activities, and the Town's utility fund is classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Blanchard's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Blanchard's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services. The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

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Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

This government-wide focus is more on the sustainability of the Town of Blanchard as an entity and the change in the Town of Blanchard's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Blanchard are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Blanchard:

1. **Governmental Funds** – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town of Blanchard:
 - a. General fund is the general operating fund of the Town of Blanchard. It is used to account for all financial resources except those required to be accounted for in another fund.

2. **Proprietary Funds** – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Enterprise Fund – accounts for the provision of water and sewer services of the Town.

There are no non-major funds for the Town.

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Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.

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Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

7. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There were two amendments to the budget for the year ended June 30, 2013.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on specific project related debt, during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings & improvements	15–30 years
Equipment	5–30 years
Water and sewer systems	10–50 years

In accordance with GASB Statement No. 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement No. 34 forward and will not retroactively capitalize infrastructure.

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Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Caddo Parish Tax Assessor determines assessed values of property and generates bills for property taxes. The Town mails and collects the taxes. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net investment in capital assets; consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen removes those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).

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Town of Blanchard
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4. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Amounts are assigned through the Town's budgetary process.
5. Unassigned fund balance are the residual classification for the Town's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

K. Sales Taxes

Proceeds of a 1% sales and use tax levied by the Town of Blanchard, with collections for the year ended June 30, 2013 of \$180,756 are dedicated for operations of the Town's police department.

L. Compensated Absences

Employees are allowed to accumulate 1 day of sick leave per month, up to a maximum of 720 hours. Unused sick leave is forfeited upon cessation of employment. Vacation leave is based on the employee's years of service. Employees must use all vacation during the year in which it is earned, based upon the employee's anniversary date. Unused vacation days earned but not taken during the year will be paid to an employee on their anniversary date.

M. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Q. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

R. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(2) New Accounting Standards

Effective July 1, 2012, The Town of Blanchard implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

(3) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

(Continued)

Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General	6.57	6.51	N/A
Sewerage System	3.10	3.10	N/A

Approximately eight percent of the Town's ad valorem taxes are derived from ten taxpayers.

(4) Cash, Cash Equivalents, and Investments

At June 30, 2013, the Town has cash, cash equivalents, and investments (book balances), totaling \$2,410,701, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2013 (book balances) totaled \$2,271,378 of which \$1,571,735 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At June 30, 2013, the Town had investments totaling \$139,323, which is shown as a restricted asset.

Money market brokerage account	<u>\$ 139,323</u>
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C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$1,969,852 of the Town's bank balances totaling \$2,490,701 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging
bank's trust department not in the Town's name:

Cash and cash equivalents	<u>\$ 1,969,852</u>
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Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, as amended by GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

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Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

(5) Receivables

The following is a summary of receivables at June 30, 2013:

Class of Receivable		
Governmental activities –		
Property taxes	\$	5,460
Sales taxes		15,586
Franchise taxes		28,888
		49,934
Business-type activities –		
Accounts receivable – water and sewer charges		289,775
Accounts receivable – intergovernmental		1,677
		291,452
Total	\$	341,386

(6) Restricted Assets

Restricted assets were applicable to the following at June 30, 2013:

	Enterprise Fund
Customer deposits	\$ 395,945
Debt service	1,312,433
	\$ 1,708,378

(Continued)

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

(7) Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at 07/01/12	Additions	Deletions	Balance at 06/30/13
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,000	\$	\$	\$ 2,000
Total capital assets, not being depreciated	2,000			2,000
Capital assets, being depreciated:				
Buildings	308,698			308,698
Improvements	540,804			540,804
Vehicles and Equipment	279,406	28,432	(20,448)	287,390
Total capital assets, being depreciated at historical cost	1,128,908	28,432	(20,448)	1,136,892
Less accumulated depreciation:				
Buildings	(155,597)	(9,576)		(165,173)
Improvements	(527,704)	(3,650)		(531,354)
Vehicles and Equipment	(181,313)	(26,188)	20,448	(187,053)
Total accumulated depreciation	(864,614)	(39,414)	20,448	(883,580)
Total capital assets, being depreciated, net	264,294	(10,982)		253,312
Governmental activities capital assets, net	\$ 266,294	\$ (10,982)	\$	\$ 255,312

(Continued)

Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

	Balance at 07/01/12	Additions	Deletions	Balance at 06/30/13
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 102,617	\$ 6,763,972	\$	\$ 6,866,589
Land	145,049			145,049
Total capital assets, not being depreciated	<u>247,666</u>	<u>6,763,972</u>		<u>7,011,638</u>
Capital assets, being depreciated:				
Administration	732,854			732,854
Water Equipment	14,133,324		(24,732)	14,108,592
Sewer Equipment	2,384,788			2,384,788
Total capital assets, being depreciated at historical cost	<u>17,250,966</u>		<u>(24,732)</u>	<u>17,226,234</u>
Less accumulated depreciation:				
Administration	(436,182)	(52,698)	23,495	(465,385)
Water Equipment	(6,426,629)	(478,972)		(6,905,601)
Sewer Equipment	(1,226,126)	(97,211)		(1,323,337)
Total accumulated depreciation	<u>(8,088,937)</u>	<u>(628,881)</u>	<u>23,495</u>	<u>(8,694,323)</u>
Total capital assets, being depreciated, net	<u>9,162,029</u>	<u>(628,881)</u>	<u>(1,237)</u>	<u>8,531,911</u>
Business-type activities capital assets, net	<u>\$ 9,409,695</u>	<u>\$ 6,135,091</u>	<u>\$ (1,237)</u>	<u>\$ 15,543,549</u>

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	Governmental Activities	Business -type Activities	Total
General Government:			
General Government	\$ 5,926	\$	\$ 5,926
Public Safety	26,098		26,098
Public works	658		658
Recreation	6,732		6,732
Water and Sewer		628,881	628,881
	<u>\$ 39,414</u>	<u>\$ 628,881</u>	<u>\$ 668,295</u>

(Continued)

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2013, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 48,965	\$ 1,118,060	\$ 1,167,025
Salaries and payroll taxes	13,603	34,239	47,842
Sales tax		10,797	10,797
Accrued interest		123,959	123,959
Compensated absences	1,795	20,374	22,169
	<u>\$ 64,363</u>	<u>\$ 1,307,429</u>	<u>\$ 1,371,792</u>

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$393,095 at June 30, 2013.

(10) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other long-term Liabilities – Compensated Absences	\$ 9,270	\$ 10,818	\$ (8,774)	\$ 11,314	\$ 11,314
Total-Governmental Activities long-term liabilities	<u>\$ 9,270</u>	<u>\$ 10,818</u>	<u>\$ (8,774)</u>	<u>11,314</u>	<u>11,314</u>
Less amounts due within period of availability				(1,795)	(1,795)
Total long-term liabilities, Government-wide statements				<u>\$ 9,519</u>	<u>\$ 9,519</u>

(Continued)

Town of Blanchard
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Notes to Financial Statements
June 30, 2013
(Continued)

Business-type Activities:					
Water Revenue Bonds					
Series 2010B	\$ 2,445,000	\$	(110,000)	2,335,000	113,000
Water Revenue Bonds					
Series 2005	2,710,000		(225,000)	2,485,000	235,000
Water Revenue Bonds					
Series 2012A		5,269,737		5,269,737	259,000
Revenue Bond Anticipation Notes					
Series 2012B		66,941		66,941	66,941
Water Revenue Bonds					
Series 2011	1,330,000		(55,000)	1,275,000	60,000
Less: Discount on					
Bonds	(49,023)		2,057	(46,966)	
Less: Deferred loss					
on Refunding	(192,697)		17,940	(174,757)	
Total Bonds	6,243,280	5,336,678	(370,003)	11,209,955	733,941
Other long-term					
liabilities –					
URAF Agreement	491,707		(15,000)	476,707	7,150
Compensated					
Absences	14,347	6,027		20,374	20,374
Total–Business-type					
Activities long-term					
liabilities					
	<u>\$ 6,749,334</u>	<u>\$ 5,342,705</u>	<u>\$(385,003)</u>	11,707,036	761,465
Less amounts due within					
period of availability					
				<u>(20,374)</u>	<u>(20,374)</u>
Total long-term liabilities,					
Government-wide statements					
				<u>\$ 11,686,662</u>	<u>\$ 741,091</u>

Payments on water revenue bonds are made from the utility fund. Payments on compensated absences are made by the fund for which the employee worked.

(Continued)

Town of Blanchard
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Notes to Financial Statements
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(Continued)

Water Revenue Bonds – Series 2010B	
\$2,657,000 dated 01/12/10. Due in annual installments of principal and semi-annual installments of interest through March 2030; interest at 2.95%. Payable from income and revenues derived from the waterworks system.	<u>\$ 2,335,000</u>
Water Revenue Bonds – Series 2005	
\$3,920,000 dated 05/24/05. Due in annual installments of principal and semi-annual installments of interest through March 2022; interest at 3.25% to 4.50%. Payable from income and revenues derived from the waterworks system.	<u>\$ 2,485,000</u>
Water Revenue Bonds – Series 2012A	
\$8,400,000 dated 08/10/12. Due in annual installments of principal and semi-annual installments of interest through March 2033; interest at 2.95%. Payable from income and revenues derived from the waterworks system.	<u>\$ 5,269,737</u>
Revenue Bond Anticipation Notes – Series 2012B	
\$4,930,000 dated 08/10/12. Due August 2014; interest at 2.95%. Payable from income and revenues derived from the waterworks system.	<u>\$ 66,941</u>
Water Revenue Bonds – Series 2011	
\$1,370,000 dated 7/18/11. Due in annual installments of principal and semi-annual installments of interest through March 2027; interest at 5.25%. Payable from income and revenues derived from the waterworks system.	<u>\$ 1,275,000</u>

The annual requirements to amortize all debt outstanding at June 30, 2013 were as follows:

Business-type Activities – Water Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	733,941	495,401
2015	682,000	479,308
2016	710,000	453,380
2017	742,000	425,839
2018	770,000	396,993
2019 – 2023	3,942,000	1,493,355
2024 – 2028	3,226,000	818,183
2029 – 2033	<u>625,737</u>	<u>260,854</u>
	<u>\$11,431,678</u>	<u>\$ 4,823,313</u>

(Continued)

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

Business-type Activities – URAF Agreement

The Town entered into an agreement (URAF Agreement dated August 18, 2011) with the Louisiana Department of Transportation and Development (DOTD) related to the relocation of utilities for three state projects that had taken place in 1990, 1993, and 2001. The agreement calls for monthly payments by the Town to DOTD, upon execution of the agreement by both parties, beginning on or before January 15 of each consecutive year until the outstanding debt is paid in full. The Town is obligated to submit to DOTD a minimum of ten (10%) of one outstanding URAF debt per year. The 10% shall be calculated on the oldest debt first. Subsequent payments applied to each debt in chronological order.

The annual requirements to amortize the URAF debt outstanding at June 30, 2013 were as follows:

<u>Fiscal Year</u>	
2014	\$ 7,150
2015	7,150
2016	7,150
2017	7,150
2018	7,150
2019 – 2023	118,436
2024 – 2028	140,857
2029 – 2033	89,569
2034 – 2038	76,746
2039 – 2042	15,349
	<u>\$ 476,707</u>

(Continued)

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

(11) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(12) Pension Plans

The police department employees of the Town are members of the Municipal Police Employees Retirement System of Louisiana. The System is a cost-sharing, multiple-employer, defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to the Plan follows:

Municipal Police Employees Retirement System of Louisiana (System)

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 31.00 percent of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the years ending June 30, 2013, 2012 and 2011 were \$11,074, \$9,767 and \$18,050, respectively, equal to the required contributions.

(13) Deferred Compensation Plan

Certain employees of the Town participate in a 457 Deferred Compensation Plan. The amounts contributed by the Town during the years ended June 30, 2013, 2012, and 2011 were \$4,855, \$6,208 and \$8,052, respectively.

(Continued)

Town of Blanchard
Blanchard, Louisiana
Notes to Financial Statements
June 30, 2013
(Continued)

(14) Subsequent Events

The Town entered into contracts totaling \$2,001,111, on September 5, 2013 for a sewer treatment facility project. To provide funding for the project, the Town issued the following debt: Sewer Revenue Bonds issued August 15, 2013, totaling \$2,000,000.

Subsequent events have been evaluated through January 13, 2014, the date the financial statements were available to be issued.

(15) Commitments

The Town entered into construction contracts for its water and sewer system that totaled approximately \$13,240,949. Amounts incurred under those contracts at June 30, 2013 totaled \$7,974,740. The remaining \$5,266,209 will be incurred subsequent to June 30, 2013.

(16) Litigation and Claims

The Town is a party to various legal proceedings, the ultimate outcome of which is not presently determinable. An estimate of possible loss or range of loss cannot be reasonably estimated at this time.

Town of Blanchard
Blanchard, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 113,400	\$ 108,605	\$ 108,605	\$
Sales taxes	173,250	165,171	180,756	15,585
Licenses and permits	88,175	87,493	87,491	(2)
<i>Intergovernmental</i>	25,000	21,500	21,500	
Charges for services	215,750	176,414	192,682	16,268
Fines and forfeitures	52,290	73,993	73,993	
Franchise taxes	153,195	128,735	128,735	
Investment earnings	125	1,594	1,594	
Miscellaneous	49,900	48,867	55,868	7,001
Total revenues	871,085	812,372	851,224	38,852
Expenditures:				
Current:				
General government	138,405	169,334	169,689	(355)
Public safety	426,051	444,242	431,893	12,349
Public works	221,395	227,880	227,880	
Culture and recreation	25,000	2,857	2,856	1
Capital outlay	50,000	25,114	28,432	(3,318)
Total expenditures	860,851	869,427	860,750	8,677
Excess (deficiency) of revenues over expenditures	10,234	(57,055)	(9,526)	47,529
Fund balances at beginning of year	77,709	77,709	79,658	1,949
Fund balances at end of year	\$ 87,943	\$ 20,654	\$ 70,132	\$ 49,478

Town of Blanchard
Blanchard, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2013

Mayor - Johnny Digilormo	\$ 18,000
Aldermen/Alderwomen:	
Allison Jones	6,000
Nathan Ashby	6,000
Patsy Lee	6,300
Ross Prewett	6,500
Jimmy Whittington	6,000
	<hr/>
	\$ 48,800
	<hr/> <hr/>

Town of Blanchard
Blanchard, Louisiana
Schedule of Rates - User Fees
For the Year Ended June 30, 2013

WATER	Usage	Base	Per Additional 1,000 Gallons	
Residential Inside:	0-2000 Gallons	\$20.03	N/A	
	2,001 Gallons - 10,000		\$3.92	
	10,001 - 20,000		\$5.04	
	over 20,000		\$5.89	
	Residential Outside:	0-2000 Gallons	\$30.24	N/A
		2,001 Gallons - 10,000		\$4.70
		10,001 - 20,000		\$5.89
		over 20,000		\$6.74
	Commercial Inside:	0-2000 Gallons	\$60.17	N/A
		2,001 Gallons - 10,000		\$3.92
		10,001 - 20,000		\$5.04
		over 20,000		\$5.89
Commercial Outside:	0-2000 Gallons	\$73.55	N/A	
	2,001 Gallons - 10,000		\$4.70	
	10,001 - 20,000		\$5.89	
	over 20,000		\$6.74	
Industrial:	0-30,000 Gallons over 30,001	\$161.78	N/A \$7.27	
SEWER	Residential Inside:	Flat Rate	\$6.09	N/A
		1,000 - 10,000		\$1.84
		10,001 - 20,000		\$2.44
		20,000 - 30,000		\$3.06
		With cap at 30,000		
	Residential Outside:	Flat Rate	\$11.58	N/A
		1,000 - 10,000		\$1.84
		10,001 - 20,000		\$2.44
		20,000 - 30,000		\$3.06
		With cap at 30,000		
	Commercial Inside:	Flat Rate	\$18.24	N/A
		1,000 - 10,000		\$1.84
10,001 - 20,000			\$2.44	
20,000 and over			\$3.06	

(Continued)

Town of Blanchard
Blanchard, Louisiana
Schedule of Rates - User Fees
For the Year Ended June 30, 2013
(Continued)

Commercial Outside:	Flat Rate	\$97.24	N/A
	1,000 - 10,000		\$1.90
	10,001 - 20,000		\$2.44
	20,000 and over		\$3.06
Industrial Inside:	Flat Rate	\$97.24	N/A
	Per 1,000 gallons NO CAP		\$2.32
Industrial Outside:	Flat Rate	\$97.24	N/A
	Per 1,000 gallons NO CAP		\$2.44

System Users

System users at June 30, 2013 was as follows:

	Number of Customers
Water and sewer customers	1,247
Water customers only	2,898
	<u>4,145</u>

Aggregate Dollar Billed For Services Rendered by the System 7/1/12 - 6/30/13:

Water	\$ 2,401,196
Sewer	<u>256,244</u>
	2,657,440
Users	<u>4,145</u>
Average Monthly Billing Per User:	\$ 53

Town of Blanchard
 Blanchard, Louisiana
 Schedule of Insurance
 June 30, 2013

<u>Company</u>	<u>Type Insurance</u>	<u>Policy Period</u>	<u>Coverage Limits</u>
LMRMA Louisiana Municipal Risk Management Agency	Workers Comp	1/1/2013 to 1/1/2014	100,000 each accident 500,000 policy limit 100,000 each employee
LMRMA Louisiana Municipal Risk Management Agency	Commercial Gen Liability Law Enforcement Officer Errors and Omissions Automobile Liability	6/11/2013 to 6/11/2016	500,000 per occurrence 500,000 500,000 500,000
Essex Insurance Company	Auto Physical Damage	6/11/2013 to 6/11/2014	148,208
Republic Fire & Casualty Ins	Property, Inland Marine	6/11/2013 to 6/11/2014	8,903,281
Republic Fire & Casualty Ins	Commercial Crime	6/11/2013 to 6/11/2014	250,000
C N A	Employee Dishonesty	7/26/13-7/26/14	100,000.00

Town of Blanchard
Blanchard, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development Passed through Louisiana Division of Administration, Office of Community Development Community Development Block Grant	14.228	708681	\$ 116,000
<u>U.S. Environmental Protection Agency</u> Passed through the State of Louisiana, Department of Health and Hospitals Capitalization Grants for Drinking Water State Revolving Funds			
Water Revenue Bonds	66.468	Series 2012A	6,763,983
Water Revenue Bonds	66.468	Series 2012B	<u>753</u>
 Total Federal Expenditures			 <u>\$ 6,880,736</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 2: Total funds received from debt draws in current year	\$ 6,394,745
Less draws on debt in current year for project expenditures incurred in prior year	(650,637)
Plus draws on debt after June 30, 2013 for project expenditures incurred in current year	<u>1,019,875</u>
	<u>\$ 6,763,983</u>

COOK & MOREHART

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

Town of Blanchard
Blanchard, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Blanchard's basic financial statements, and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Blanchard's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Blanchard's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Blanchard's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blanchard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
January 13, 2014

COOK & MOREHART

Certified Public Accountants

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Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

Town of Blanchard
Blanchard, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Town of Blanchard's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Blanchard's major federal programs for the year ended June 30, 2013. The Town of Blanchard's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Blanchard's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Blanchard's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Blanchard's compliance.

Opinion of Each Major Federal Program

In our opinion, The Town of Blanchard complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

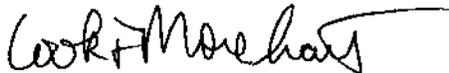
Report on Internal Control Over Compliance

Management of the Town of Blanchard is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referenced above. In planning and performing our audit of compliance, we considered the Town of Blanchard's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Blanchard's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
January 13, 2014

Town of Blanchard
Blanchard, Louisiana
Summary Schedule of Prior Audit Findings
June 30, 2013

The Town of Blanchard was not required to have an audit in accordance with OMB-Circular A-133 for the prior year ended June 30, 2012.

Schedule of Finding and Questioned Costs
June 30, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Blanchard.
2. No significant deficiencies are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Blanchard were disclosed during the audit.
4. No significant deficiencies are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Blanchard expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for the Town of Blanchard reported in Part C. of this Schedule.
7. The programs tested as major programs included: Capitalization grants for drinking water state revolving funds – Water Revenue Bonds, CFDA #66.468.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Town of Blanchard does not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit: None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None

Town of Blanchard
Blanchard, Louisiana
Summary Schedule of Prior Audit Findings for Louisiana Legislative Auditor
June 30, 2013

There was one significant deficiency for the year ended June 30, 2012, as follows:

2012-1 SIGNIFICANT DEFICIENCY

Statement of Deficiency: During our audit, we noted that the Town did not have procedures in place for ensuring that all adjustments made to the utility billing system were properly approved.

Recommendation: We recommend that, during the reconciliation process at the end of each month, a listing be printed of all adjustments made to customer accounts in the utility billing system by someone independent of making the adjustments. All adjustments should be reviewed by someone independent of the receipt function to verify that all were approved in accordance with the Town's policy.

Current Status: Improvement noted. No deficiency reported in current year audit.

Town of Blanchard
Blanchard, Louisiana
Summary Schedule of Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
June 30, 2013

There are no findings for the current year audit period ended June 30, 2013.